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UNCLAS MUSCAT 000506

SIPDIS

SENSITIVE

NEA/ARPI FOR TROBERTS, DRL/JDEMARIA, DOL/JSHEA

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SUBJECT: SALALAH: PORT EXPANDS, FREE ZONE PENDING

REF: MUSCAT 477

¶11. (U) This cable contains business proprietary information - please protect.

SUMMARY

¶12. (SBU) In a call on the Ambassador, former Salalah Port Services Co. CEO Jack Helton and his successor Tiemen Meester (please protect both) privately questioned the government's commitment to develop the Salalah Free Zone (SFZ). They spoke of growth and investment through more aggressive borrowing and minimizing the Omani government's role in future port concessions. Salalah Port is currently operating at full capacity and will quickly absorb the expansion of the two additional berths already under construction. Soon after the meeting, Minister of Commerce and Industry Maqbool bin Ali Sultan announced that he will lay the foundation stone for the long-dormant Salalah Free Zone site on March 29. End summary.

PORt EXPANDING, BUSINESS ASSURED

¶13. (SBU) Former CEO of Salalah Port Services Co. (SPS) Jack Helton paid a courtesy call on the Ambassador on March 20 with his successor Tiemen Meester. When asked about port growth and investment, Helton and Tiemen both stated that the port is operating at full capacity and that even with the completion of the current two berths (5 and 6) under construction, the port, by virtue of its 10-year contract with Maersk, would operate at minimum at 70 percent capacity regardless of other business. Both Helton and Meester stressed the need for visionary investment, including the construction of an additional two berths (7 and 8, per reftel). New CEO Tiemen Meester also said that SPS, an Omani joint venture with Danish-owned A.P. Moller-Maersk Group, hopes to accelerate growth through more aggressive borrowing and reducing the Omani government's role from future concessions, allowing growth to move at the company's desired pace.

FREE ZONE - BEGINNING AT LAST

¶14. (SBU) Helton expressed his frustration at what he believes is the Omani government's apparent lack of interest in anything to do with Salalah, including the Salalah Free Zone Company (100 percent government-owned), the port's aggressive training program, port expansion, and company growth. Helton also lamented the prospect of a rising tide of organized workers committees in Oman, grousing that they could be the death of Port Salalah.

¶15. (SBU) The day after Helton's fulmination over Oman's commitment to promote growth in Salalah, however, several articles extolling the virtues of the Salalah Free Zone appeared in the English-language "Oman Daily Observer." The press coverage cited the signing of an agreement to launch a major methanol facility in the Free Zone as an example of its potential appeal to investors. Moreover, a recent seminar hosted by the Ministry of Transport and Communication hailed the SFZ as a model of economic growth that will create more than 2000 job opportunities for Omanis. The construction of infrastructure facilities is expected to be completed by March 2006 and will include developed land, roads, fuel, electricity and water. On March 29, Minister of Commerce and Industry Minister Maqbool bin Ali Sultan will lay the Salalah Free Zone site's foundation stone .

BALTIMORE